

## Issue 70: INSIDER'S EDGE: When do the MAGI Relationship-Based Rules Apply?

Dear Marge,

Can you let us know what would happen in the following two scenarios?

1) A mother is claiming her 21 year old son on her 2013 taxes, but not her taxes for 2014. Do we still count mother's income to determine eligibility for her 21 year old son? The 21 year old son does not plan to file taxes in 2014 and does not expect to be claimed as a dependent by anyone.

2) An uncle and nephew live together. The uncle is not claiming nephew on his taxes. The nephew does not intend to file taxes in 2014 and no one else is claiming the nephew as a tax dependent. Do we still count the uncle's income to determine nephew's eligibility?

--Curious Caseworkers, Howard County

Thanks for the excellent questions! Both of your scenarios relate to a topic we first looked at in Issue 67: *INSIDER'S EDGE: Adult Dependents Who Are Not Children or Spouses*—namely when the relationship-based rules are triggered when determining who is in a Medicaid household, so let's start there!



*Grab your hard hats, Insiders! Today, we're looking at household construction rules.*

### The Basics: Relationship-Based Rules

As you know by now, for purposes of determining eligibility for insurance affordability programs including Medicaid, the household most often includes the people who file federal income taxes together for the taxable year in which the eligibility determination is made.

- Tax filer is head of household and usually primary applicant;
- Tax filer's spouse (must file jointly for APTC/CSR);
- Anyone else the tax filer will claim as a tax dependent (i.e. claim a personal exemption deduction for) on that year's tax return.
  - For example, the taxpayer's older children will count toward the family size if the taxpayer claims them as a dependent even if they don't live at home.

There are a number of situations in which the household rules used to determine Medicaid eligibility are different from the general tax-based household rules. When these exceptions arise, the Medicaid household for the applicant is constructed based on the relationships between family members who live together and is not based on tax filing relationships.

So what exceptions trigger use of the relationship-based rules for Medicaid eligibility determinations?

<b>Application of Relationship-Based Rules</b>
Applicant is not planning to file taxes.
Individual is claimed as a dependent by person who is not a parent or step-parent, for example, a grandparent or other caretaker relative.
Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.
Child, under age 21, lives with a custodial parent but will be claimed as a tax dependent by a noncustodial parent.

**If one of the exceptions above is triggered, how is the household constructed using the relationship-based rules?**

For adults, a household must consist of:

- Adult applying for coverage;
- Applicant's spouse, if living with the applicant; and
- Applicant's natural, adopted and stepchildren, or any child for whom they act as a caretaker, up to age 21, if living with the applicant.

For children (under age 21), a household must consist of:

- A child applying for coverage.
- Any of the child's parents or stepparents (or adoptive parents), if living with the child.
  - *Note:* For households headed by a non-parent caretaker adult, the caretaker adult should be included in the child's household.
- Any of the child's siblings or stepsiblings (or adoptive siblings) under age 21 and living with the child.

**The Rules in Action: Howard County's Questions Answered**

**1) A mother is claiming her 21 year old son on her 2013 taxes, but not her taxes for 2014. Do we still count mother's income to determine eligibility for her 21 year old son? The 21 year old son does not plan to file taxes in 2014 and does not expect to be claimed as a dependent by anyone.**

Remember, MAGI households are based on how an applicant expects to file federal taxes for the taxable year in which the eligibility determination is being made. This means that when a person seeks coverage in 2014, his/her household should be based on how he/she expects to file taxes for 2014 in April 2015—not how he/she filed 2013 taxes.

**So what does that mean for our mom in question?** If the mother does not intend to claim her 21 year old child as a dependent when she files her 2014 taxes in April 2015, the two will be considered separate households under the MAGI rules.

**So what does that mean for our 21 year old?** If the 21 year old son does not intend to file taxes in 2014 because his income is below the filing threshold and he will not be claimed as a dependent by anyone, his household should be constructed using the relationship-based rules.

Remember, although the mother in this case may always think of her son as her little boy, because he is 21, he is *not* considered a minor for purposes of the relationship-based rules. Therefore, his household will be constructed according to the adult relationship-based rules.



*I didn't think it was possible, but these two are officially even more excited about the relationship-based rules than I am!*

**2) An uncle and nephew live together. The uncle is not claiming nephew on his taxes. The nephew does not intend to file taxes in 2014 and no one else is claiming the nephew as a tax dependent. Do we still count the uncle's income to determine nephew's eligibility?**

It depends! I know, I know, you were hoping for a quick answer to this one. Don't worry though, it's not too complicated. Whether the uncle's income is counted when determining his nephew's eligibility for Medicaid will depend on the nephew's age.

If the nephew is 21 or older, the adult relationship-based rules will apply, and the uncle and nephew will be considered separate households even though they live together.

However, if the nephew is under 21, the child relationship-based rules will apply. In that case, the nephew's household will include both the nephew and the uncle (because he is a caretaker relative). Therefore, the uncle's income will be considered when his nephew's eligibility for Medicaid is determined.

One last thing—the outcome would be the same if the uncle *did* claim the nephew as a dependent. Why? Because the second exception triggering the application of the relationship-based rules would apply:

- Individual is claimed as a dependent by person who is not a parent or step-parent, for example, a grandparent or other caretaker relative.

**See you next time!** Have a question? E-mail me: [dhmh.medicaidmarge@maryland.gov](mailto:dhmh.medicaidmarge@maryland.gov).